United Nations A/63/668

General Assembly

Distr.: General
2 January 2009

Original: English

Sixty-third session
Agenda items 128, 132 and 148

Report on the activities of the Office of Internal Oversight Services

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Financing of the African Union-United Nations Hybrid Operation in Darfur

Audit of the use of extraordinary measures for the African Union-United Nations Hybrid Operation in Darfur

Report of the Office of Internal Oversight Services

"The extraordinary measures were not effective in facilitating the deployment of the African Union-United Nations Hybrid Operation in Darfur and exposed the United Nations to high financial and reputation risks"

Summary

Pursuant to General Assembly resolution 62/232 A, the Office of Internal Oversight Services (OIOS) conducted an audit of the use of extraordinary measures exceptionally authorized by the Secretary-General for the African Union-United Nations Hybrid Operation in Darfur (UNAMID) to allow flexibility in administrative policies and procedures to expedite and facilitate the deployment of the mission. The Secretary-General approved 17 measures, including six to attract civilian personnel and expedite their deployment to UNAMID, two to facilitate the deployment of military personnel and nine to enable the procurement of goods and services for the necessary support infrastructure.

08-67532 (E) 260109

The objectives of the audit were: (a) to review the conditions that required the use of extraordinary measures for UNAMID and the justification supporting the measures; (b) to assess the adequacy and effectiveness of internal controls to mitigate risks associated with the use of the extraordinary measures and provide reasonable assurance that resources were safeguarded against loss, misuse and mismanagement; and (c) to assess whether the use of extraordinary measures achieved the expected outcomes in UNAMID. The audit was conducted within the period from February to May 2008. Comments made by the Department of Field Support and the Department of Management were taken into account in preparing the present report and are shown in italics.

Overall, OIOS determined that the extraordinary measures have had limited impact on the deployment of UNAMID and have exposed the United Nations to significant financial and reputation risks. *The Department of Field Support stated that the limited use of these extraordinary measures was the result of unexpected circumstances. Senior management took a decision to absorb additional risk on the basis of a careful assessment that this was less serious than the risk of failing to implement the mandate entrusted to the United Nations by the Security Council.*

The main findings are as follows:

- In the view of OIOS, some conditions in UNAMID appeared to have justified the Secretary-General's action to waive certain administrative requirements to enable the rapid deployment of military and civilian personnel and establish the support infrastructure for UNAMID. Nonetheless, OIOS is concerned that the granting of exceptions from rules and established procedures gives managers discretion to decide whether and to what extent controls should be applied.

- Not all of the approved measures were needed to achieve the operational goals. For example, managers have not used the flexibility granted by the Secretary-General to increase UNAMID's delegation of authority for procuring core requirements and to exempt proposed procurement awards from review by the UNAMID Local Committee on Contracts.

- Although the Secretary-General has previously approved exceptional measures for the rapid deployment of personnel and support during the expansion of the United Nations Interim Force in Lebanon and the United Nations Mission in the Sudan and the establishment of the United Nations Integrated Mission in Timor-Leste, there was no evaluation of the effectiveness of their use, which could have assisted UNAMID in exercising the extraordinary measures.

- Although all six extraordinary measures pertaining to human resources were used, they did not significantly contribute to expediting the recruitment of staff and their deployment to UNAMID. The late deployment of staff reduced the overall effectiveness and practical value of the other extraordinary measures. For example, owing to the lack of personnel, the execution of the sole-source contract for multifunction logistics services was delayed and the level of procurement activities was lower than expected.

- One extraordinary measure authorized by the Secretary-General was the award of a $250 million contract without competitive bidding to Pacific Architects and Engineers (PAE) for the provision of multifunction logistics services to UNAMID. Although entering into a non-competitive, sole-source contract was authorized in October 2007, the Controller had in principle approved the

selection of PAE as early as April 2007. In the view of OIOS, the ex post facto authorization by the Secretary-General to waive competition for the PAE contract does not remove the Secretariat's responsibility to address accountability for the high level of financial and reputation risks for the United Nations that the decision to enter into a sole-source contract with PAE has created. *The Department of Management stated that the major risk faced by the Secretariat in implementing the Security Council mandate for UNAMID was the [inability] to provide extensive facilities on the ground. The choice of a sole-source contract brought risks, but these were judged as less than those of failing to provide the required facilities. The Department of Field Support commented that it was assessed that the risk to the reputation of the United Nations failing to deploy the heavy support package units in a timely manner outweighed the risk of selecting PAE on a sole-source basis.* OIOS recognizes that it is management's responsibility to determine the level of acceptable risk. However, it is also their responsibility to adequately manage risk by establishing effective controls. In the opinion of OIOS, considering the high risks associated with entering into a sole-source contract, adequate mechanisms were not put in place to mitigate the related risks.

- Despite a protracted planning effort for UNAMID, there were delays in preparing the statement of work for the multifunction logistics services. This situation affected the rest of the procurement process, especially the evaluation of the PAE proposals by the Procurement Division and the review by the Headquarters Committee on Contracts of the proposed PAE contract award. In the opinion of OIOS, the Headquarters Committee on Contracts was pressured to expedite its recommendation, as the case was deliberated and concluded even though the process of negotiating the cost of the contract with PAE was still under way. *The Department of Management stated that the Procurement Division had informed the Headquarters Committee on Contracts that the prices could be further lowered by continuing the negotiations then under way, which eventually resulted in additional savings of $41 million.*

- UNAMID did not properly monitor the PAE contract. PAE task orders included charges totalling $4.3 million for administrative fees related to construction services during periods when there was no construction activity. Moreover, when the contract value was reduced by 40 per cent from the original $250 million for six months to $150 million for nine months because of the limited use of PAE's services, no effort was made by the Department of Field Support and the Procurement Division to negotiate a corresponding reduction in the overhead and administrative charges. *The Department of Management informed OIOS that negotiations with PAE were completed in September and October 2008 resulting in cost reductions of over $16 million.* There were also excessive charges for equipment and for catering and management services that were not delivered. For example, PAE's prices for equipment comparable to items under existing United Nations systems contracts were significantly higher, resulting in additional costs of $7 million to the United Nations. Neither the Procurement Division nor the Department of Field Support has prevented those losses from occurring.

- One of the extraordinary measures is the non-competitive bidding for a letter of assist to provide contract management services to assist UNAMID in managing the multifunction logistics support contract. An important output of this

contract is to build the United Nations internal capacity to manage large logistics contracts. The initial draft letter of assist issued by the Department of Field Support was for a one-year period with an option for a three-year extension, exceeding the authorized amount and the one-year extension period as initially presented to the Headquarters Committee on Contracts. *The Department of Field Support stated that it had now pursued a letter of assist for a period of one year with a one-year extension option.* Furthermore, based on the proposed terms of the letter of assist, OIOS estimated that savings of more than $6 million per year could be realized if monthly rates were negotiated on the basis of UNAMID's working hours instead of a 12-hour working day and a 26-day month, as proposed in the draft letter. *The Department of Management disagreed with the view of OIOS to renegotiate the monthly rates on a normal working month, stating that in start-up missions, staff typically work 12-hour days and on weekends.* OIOS maintains the view that while there may be some periods when extra hours are required, it is not practical or cost-effective to assume such high working hours to be sustained throughout a two-year period.

OIOS made a number of recommendations to address the serious weaknesses identified in the PAE contract and strengthen the internal control system for peacekeeping operations. As indicated in the comments of the Department of Field Support and management of the Department of Management on the present report, certain corrective action had been taken subsequent to the audit.

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I. Introduction

1. Pursuant to General Assembly resolution 62/232 A, the Office of Internal Oversight Services (OIOS) conducted an audit of the use of extraordinary measures for the African Union-United Nations Hybrid Operation in Darfur (UNAMID). The Secretary-General informed the General Assembly about the adoption of these extraordinary measures in a letter to the President of the General Assembly dated 2 October 2007 (A/62/379). The measures were intended to allow flexibility in administrative policies and procedures to expedite the deployment of military and civilian personnel to UNAMID and to establish the necessary support infrastructure required to facilitate the deployment of the mission. The table below lists the 17 extraordinary measures.

Table
Extraordinary measures authorized by the Secretary-General

Extraordinary measure	*Used*	*Expiration*
1. Reassignment of civilian personnel for key administrative positions	Yes	Not stated
2. Temporary assignment of civilian personnel and their replacement	Yes	Not stated
3. Expedited transition of African Union Mission in Sudan civilian personnel to UNAMID	Yes	Not stated
4. Reduction of the amount deducted from mission subsistence allowance for substandard and shared accommodation	Yes	Open ended
5. New mission subsistence allowance rate for Darfur	Yes	Open ended
6. Additional travel days for occasional recuperation break	Yes	Open ended
7. Deployment of troops prior to signing a memorandum of understanding	Yes	Not stated
8. Payment to troop-contributing countries on a monthly basis from October to December 2007	No	December 2007
9. Increase in the not-to-exceed amounts of United Nations Mission in the Sudan (UNMIS) contracts to support UNAMID	No	31 March 2008
10. Extension of existing systems contracts	Yes	31 March 2008
11. Increase of the delegation of authority in respect of UNAMID	No	31 March 2008
12. Increase in the delegation of authority for procuring UNAMID core requirements	No	31 March 2008
13. Use of a sole-source contract for logistic support	Yes	Not stated
14. Non-competitive bidding for letters of assist	Yes	Not stated
15. Sole-source contracts for selected requirements	No	Not stated
16. Exemption from Local Committee on Contracts procedures	No	1 June 2008
17. Redeployment of leased aircraft to UNAMID from other missions	Yes	Not stated

2. In November 2006, the African Union, the United Nations and the Government of the Sudan adopted and agreed upon the concept of a three-phase approach to the deployment of the peacekeeping operation in Darfur. These phases included the light

support package to the African Union Mission in Sudan (AMIS), the heavy support package and the hybrid operation.[1]

3. In line with this concept, the Security Council established UNAMID by its resolution 1769 (2007). Under the resolution, UNAMID would complete preparations to assume operational command authority over the light and heavy support packages by no later than 31 December 2007 and assume authority from AMIS, which had been operating in the Sudan since 2004. On 22 December 2007, the General Assembly approved UNAMID's budget of $1.28 billion for the financial year 1 July 2007 to 30 June 2008. UNAMID was to be comprised of up to 19,555 military personnel and an appropriate civilian component with up to 3,772 police officers and 19 formed police units with 140 personnel each. The United Nations Mission in the Sudan (UNMIS) provided administrative support to UNAMID between July and December 2007. Effective 1 January 2008, UNAMID assumed full authority from AMIS for the hybrid operation in Darfur with the already deployed 6,743 AMIS troops becoming United Nations troops as of that date.

4. The audit covered: (a) the process leading to the authorization of extraordinary measures for UNAMID; and (b) transactions related to the use of the extraordinary measures during the period October 2007 to April 2008. The audit methodology included reviews at Headquarters of documentation relating to the decision to authorize the use of the extraordinary measures, and operational processes and internal controls to mitigate the associated risks. OIOS conducted the audit at Headquarters and in UNAMID within the period from February to May 2008 and interviewed officials involved in the planning and implementation of the extraordinary measures.

II. Justification for the use of extraordinary measures

5. The Secretary-General, in his letter dated 2 October 2007 to the President of the General Assembly, stated that "despite best efforts to manage within existing modalities, to facilitate and support within the envisaged time frames the rapid deployment of military and civilian personnel and establish the necessary support infrastructure required in UNAMID, it is necessary for the Secretariat to exercise some flexibility in the application of administrative policies and procedures ... to efficiently and effectively respond to the demands placed upon it in implementing Security Council resolution 1769 (2007)" (A/62/379).

6. The application of flexibility in administrative procedures was not a new initiative. The Secretary-General had previously approved exceptional measures for the rapid deployment of personnel and support during the expansion of the United Nations Interim Force in Lebanon and UNMIS and the establishment of the United Nations Integrated Mission in Timor-Leste (see A/60/986 and A/61/598). However, there was no evaluation of the effectiveness of the use of extraordinary measures on expediting the deployment or expansion of those missions and lessons learned from those exercises were not available.

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[1] The light support package comprised equipment and personnel fully dedicated to support AMIS. The heavy support package comprised military, police and mission support personnel and equipment, as well as staff, to provide support to AMIS (see A/62/540). The hybrid operation was designed to implement all aspects of the Darfur Peace Agreement (see S/2007/307/Rev.1).

7. Considering the inhospitable and insecure environment, the lack of infrastructure in Darfur and the challenges associated with launching a joint United Nations mission with the African Union, together with the tight deadline for the mission's deployment set by the Security Council, greater challenges in deploying personnel and equipment to UNAMID were expected. To compound matters, the overall expansion of United Nations peacekeeping activities, the increasing demands and the high tempo of operations have had an effect on the ability of the United Nations to deploy logistical and administrative support in a timely manner.

8. Hence, the Department of Field Support, in close cooperation with the Department of Management, developed a proposal for extraordinary or flexibility measures in certain administrative processes for UNAMID to meet the deployment targets. The proposal was approved by the Under-Secretary-General for Management on 24 August 2007 and authorized by the Secretary-General on 2 October 2007. However, allowing administrative flexibility increases the vulnerability of the United Nations to fraud and abuse of authority, including inappropriate and ineffective use of financial, human and other resources, and thus requires monitoring and compensating controls to manage those risks. On 23 November 2007, the Under-Secretary-General for Internal Oversight Services expressed concern to the Secretary-General about allowing flexibility in the application of procedures in several areas and emphasized the need for adequate compensating controls and mechanisms to monitor their implementation.

9. In the opinion of OIOS, some conditions before and during the deployment of UNAMID appeared to have justified the Secretary-General's action to waive administrative requirements to enable the rapid deployment of military and civilian personnel and establish the support infrastructure for UNAMID, in order to meet the requirements and timelines set by the Security Council in its resolution 1769 (2007). However, as further discussed in the present report, there were weaknesses in the identification, authorization and implementation of the extraordinary measures.

10. As shown in the table above, not all of the approved measures were used. For example, in the area of procurement managers have not used the flexibility granted by the Secretary-General to increase UNAMID's delegation of authority for procuring core requirements and to exempt proposed procurement awards from review by the UNAMID Local Committee on Contracts. Moreover, the flexibility to deploy troops in advance of signed memorandums of understanding with troop-contributing countries was not exceptional, as it has been a force generation practice in the past. Nonetheless, OIOS stresses that when the Secretary-General grants managers the flexibility to be exempt from compliance with rules and established procedures, he gives them discretion to decide whether and to what extent normal controls should be applied.

III. Controls established to mitigate risks of loss, misuse and mismanagement of resources

11. As the Under-Secretary-General for Internal Oversight Services pointed out in her letter dated 23 November 2007 to the Secretary-General, the United Nations would face a higher risk of exposure to mismanagement and fraud as a result of the flexibility granted to UNAMID. When exemptions from established procedures are

granted, it is necessary to ensure that compensating control procedures are set up to protect the integrity of business processes.

12. No guidelines encompassing certain controls and monitoring mechanisms were prepared to provide assurance that the extraordinary measures would be used properly and effectively. Since measurable expected benefits had not been defined, it was difficult to assess the effectiveness of the use of the extraordinary measures. This also posed the risk of insufficient commitment to the measures by the staff implementing them and reduced the overall impact of the measures. Moreover, the duration of some measures was not established, resulting in various interpretations by the users. For example, while UNAMID considered that the extraordinary measure on temporary assignment of civilian personnel was applicable for one year, i.e., until 1 October 2008, the Department of Field Support informed the mission that the measure expired on 31 March 2008. Also, the inadequate attention given to the establishment of monitoring controls resulted in actual or potential losses, as discussed in the following paragraphs.

IV. Effectiveness of the extraordinary measures

A. Procurement

13. OIOS considers eight of the 17 extraordinary measures authorized as pertaining to the procurement function, i.e., measures 9 to 16 in the table above. Out of these, only three were used, namely, measure 10, extension of existing systems contracts; measure 13, sole-source contract for logistics; and measure 14, non-competitive bidding letters of assist.

1. Inadequate planning of logistical requirements

Contract arranged without detailed cost-benefit analysis

14. On 15 October 2007, the United Nations signed a sole-source multifunction logistics services contract valued at $250 million with Pacific Architects and Engineers (PAE) for a period of six months. In March 2008, the contract value was reduced to $150 million and the contract term extended to 14 July 2008 owing to a reduced volume of services to be provided.

15. Although entering into a non-competitive, sole-source contract was authorized by the Secretary-General as an extraordinary measure in October 2007, the decision to select PAE was in place much earlier. In April 2007, the Department of Peacekeeping Operations requested the Controller to approve a sole-source contract with PAE for camp construction and services for the heavy support package. The request was based on the assessment of the Department that PAE was the only contractor in Darfur capable of supporting the timely deployment of the mission. On 25 April 2007, the Controller agreed in principle to the sole-sourcing of the multifunction logistics services, noting the exigency of the requirements and stating that "despite the effort of the planning team of 36 professional and 7 temporary staff which have been in place since March 2006, ... there is no procurement alternative to engaging PAE on a sole-source basis through a direct United Nations contract". DFS did not perform a cost-benefit analysis to justify the use of a multifunction logistics contract, which OIOS considers as an outsourcing contract. General

Assembly resolution 55/232 on outsourcing practices requires, inter alia, that an analysis of the cost-effectiveness and efficiency of the proposed activities to be outsourced is performed.

16. *The Department of Field Support commented that the heavy support package was finally approved by a letter from the President of the Security Council only on 17 April 2007. At that stage, it was anticipated that the heavy support package units would start to be deployed in about two months (by June 2007) and the Department was under significant pressure from Member States to rapidly have in place appropriate support arrangements on the ground.*

17. *The Department of Field Support further clarified that in the absence of sufficiently qualified and available resources or the time to undertake logistic demands of the required magnitude, there was no option other than to seek resources under a multifunction service contract. Hence, the Department considered that a cost-benefit analysis could not be conducted because there was no other available capacity for such a comparison to be carried out.*

18. In the opinion of OIOS, with the information available to the Department of Field Support and the Department of Management as early as December 2006, when the Department of Peacekeeping Operations initially requested the award of the contract to PAE, there was an opportunity to plan and evaluate the cost-effectiveness of entering into a sole-source, multifunction logistics contract. This would have given a reliable basis for the development and issuance of the statement of work and the request for proposals, and would have provided some assurance on the reasonableness of PAE's offer. Instead, the United Nations was exposed to the risk of unreasonably high prices and unjustified overhead charges.

19. *The Department of Field Support stated that given the prevailing uncertainty which surrounded the deployment of the heavy support package and the complexity of requirements, the Department disagreed with the opinion of OIOS that there was sufficient information at hand in December 2006 to properly plan for and evaluate the cost-effectiveness of entering into a sole-source contract, nor did it consider sufficient information existed in December 2006 to develop and issue a statement of work with sufficient fidelity that would enable the Department of Management to commence a credible solicitation. As mentioned above, the Department of Field Support stated that a cost-benefit analysis could not be conducted.* OIOS reiterates that the Darfur planning team had been in place since March 2006 and that the Department of Field Support was fully aware of conditions in Darfur through UNMIS operations. Moreover, the Department did not document the reasons why a cost-benefit analysis, which is required by General Assembly resolution 55/232, was not made. OIOS maintains that there was a possibility to plan and conduct a cost-benefit analysis that could have been a useful basis to assess the reasonableness of PAE's offer.

20. OIOS is of the opinion that accountability should be determined for the failure to adequately plan the provision of the multifunction logistics services, an area of concern also raised by the Controller.

Delays in the preparation of a statement of work

21. The Department of Peacekeeping Operations and the Department of Field Support took seven months to prepare and finalize the statement of work for the

PAE contract. This delay affected the procurement process, because the Procurement Division was able to initiate negotiations with the vendor only in May 2007, after receiving a first draft of the statement of work in April 2007. The statement of work was later refined and the final version was presented to the Procurement Division on 13 July 2007. The contract was to become effective on 1 September 2007. Such a tight timeline for a complex, multifunction contract was not sufficient to allow for a meaningful procurement process.

22. According to the Department of Field Support, the detailed requirements were only finalized in April 2007 owing to the complexity of developing and consolidating detailed requirements for a single multifunction contract. OIOS recognizes the difficulties, but points out that with the adoption of Security Council resolution 1706 (2006),[2] which mandated that troops be deployed to Darfur by 1 January 2007, the Darfur planning team had been set up and had been working since March 2006. Therefore, in the opinion of OIOS, there was enough time to properly organize the planning process.

23. *The Department of Field Support stated that detailed planning for the deployment and support of the heavy support package during this period was challenged by delay and uncertainty. The Government of the Sudan withheld approval of the troop-contributing countries providing troops for the heavy support package until July 2007, and some of the capabilities within the heavy support package were not provided by Member States. Hence, it was extremely difficult for the Department to finalize a statement of work.*

Approval of the contract award to Pacific Architects and Engineers

24. The Controller signed the minutes of the Headquarters Committee on Contracts only on 11 October 2007, after (a) entering into a sole-source contract had been approved by the Secretary-General on 27 September 2007; (b) the Secretary-General had sent his letter of 2 October 2007 to the President of the General Assembly regarding the extraordinary measures; and (c) the Member States were briefed about the extraordinary measures, including the decision to award a sole-source contract to PAE. On 11 October 2007, the Controller sent a memorandum to the Deputy Secretary-General informing her that he was signing the minutes of the Headquarters Committee on Contracts, thereby authorizing the award of the sole-source contract to PAE, based on the Secretary-General's aforementioned action. These conditions indicate that the Secretary-General had taken responsibility for the award of the contract to PAE, which was subsequently included as part of the extraordinary measures.

Insufficient time for evaluation and review of the Pacific Architects and Engineers procurement case by the Headquarters Committee on Contracts

25. Insufficient time was given to the Headquarters Committee on Contracts to review the PAE procurement case. On 30 August 2007, the Procurement Division presented the case to the Committee, recommending the award of a six-month multifunction logistics contract to PAE for a not-to-exceed amount of $291 million

[2] On 31 August 2006, the Security Council, by its resolution 1706 (2006), approved the expansion of the mandate of UNMIS to the Darfur region with the deployment of 17,300 troops. However, the resolution could not be implemented owing to a lack of the Sudanese Government's consent at that time.

effective 1 September 2007. At this point, the Deputy Chairperson of the Committee informed the Procurement Division and the Department of Field Support that there was insufficient information for the Committee to make an informed recommendation on the procurement case. The Procurement Division explained that the vendor's proposal was not final, as negotiations on the rates and value of the contract were still in progress. The Division stressed, however, that time was of the essence and any delays in deciding on the case could have an adverse effect on the United Nations. On an exceptional basis, the Headquarters Committee on Contracts at its 31 August 2007 meeting reviewed the case without the complete information, in particular the negotiated amount of the contract, which is normally needed for proper deliberations.

26. The minutes pertaining to the 31 August 2007 meeting of the Headquarters Committee on Contracts were finalized on 10 September 2007 and the Controller approved the contract award on 11 October 2007. A review of the minutes showed that on 9 September 2007, the Procurement Division advised the Committee that the contract was still being negotiated and that the updated not-to-exceed amount was $250 million for a six-month period and $41 million for each of the two three-month optional extensions. Although the Committee noted that it was not normal practice to accept procurement cases that were still under negotiation with vendors, the Committee, noting the exigencies, agreed to make an exception to proceed with a review of the case as recommended by the Procurement Division and the Department of Field Support. In the opinion of OIOS this practice is unacceptable and the Headquarters Committee on Contracts process did not serve as an effective internal control. The Committee should not be pressured into reviewing and making recommendations on procurement cases without all the relevant information necessary to make an informed decision.

27. *The Department of Management stated that the reason for requesting an urgent consideration of the PAE case by the Headquarters Committee on Contracts was because the then existing contract between PAE and the United States Department of State was due to expire the day after the presentation to the Committee (31 August 2007). Therefore, had the PAE agreement with the United Nations not been confirmed, PAE was at risk of losing its legal status in the Sudan and consequently would have had to demobilize. This course of action would have significantly increased the costs of the United Nations and the lead time in mobilizing other construction capabilities in Darfur. The Committee was informed that prices could be further lowered by continuing the negotiations, which eventually resulted in additional savings of $41 million.* OIOS accepts that the timelines for the procurement process were tight. This was mainly caused by poor planning resulting in the delayed finalization of the statement of work, as already referred to in paragraphs 21 and 22.

28. The negotiations with PAE were finalized on 12 September 2007 with an agreed not-to-exceed amount of $250 million and the contract was signed on 15 October 2007.

29. Considering the complexity and magnitude of a multifunction logistics contract, insufficient lead times had been given to both the Procurement Division and the Headquarters Committee on Contracts to allow them to perform their respective functions effectively. While the vendor's selection without bidding was permitted under the Secretary-General's authorization of the relevant extraordinary

measure, awarding the contract in a non-competitive manner attracted negative publicity damaging the reputation of the United Nations. It also did not ensure that the United Nations obtained the best value for money in this particular procurement action.

2. Inadequate bid evaluation

30. The Procurement Division issued a request for a proposal to PAE on 16 July 2007, with a deadline for submission of a response by 15 August 2007. PAE submitted on 15 August a "rough order of magnitude" proposal presenting their initial estimate to allow continued discussions and refinement of the technical requirements of the United Nations. After negotiations in August and September 2007, PAE submitted a number of revised proposals, which included varying not-to-exceed estimates ranging between $333 million and $790 million for a one-year contract period.

31. According to the Procurement Division, PAE's proposals were not clear and contained numerous and substantial errors. The Division had to spend considerable time correcting calculation errors and inconsistencies it had identified. Moreover, in the view of OIOS, the Division did not sufficiently benchmark PAE's proposals with similar contracts to assess the reasonableness of PAE's offer. For example:

(a) There was no documentation showing that the electrical component, with the not-to-exceed amount of $48 million, was compared with any benchmark or standard to evaluate the contractor's proposed price. *The Department of Management commented that the comparison for the electrical component of the contract was carried out using the rates of the current electrical contractor to the United Nations.* During the audit, documentary evidence of this comparison, even though it was requested by OIOS, was not presented. *The Procurement Division subsequently provided additional documentation stating that the Department of Field Support had conducted benchmarking between the PAE proposal and the United Nations systems contract and that it was difficult to properly match the cost of items compared, as they did not include the same components.* OIOS, therefore, maintains that the benchmarking was inadequate;

(b) There was no benchmark for some high-value construction equipment, such as a rock crusher valued at $1.1 million per unit. *The Department of Management stated that while there was sufficient evidence in the contract file to demonstrate that benchmarking was carried out on at least 38 high-value construction equipment items, there was no direct evidence for the one example OIOS chose to provide in the report, i.e. the crusher. It should be noted that the rock crushers purchased by the Mission were essential in ensuring materials were available for infrastructure construction.* OIOS accepts that the Procurement Division evaluated price offers with comparable benchmarks for about 80 per cent of the high-value items. Nonetheless, certain high-value items totalling about $10 million were not evaluated. In the view of OIOS, considering this was a sole-source contract, all high-value items should have been assessed against a valid benchmark. Furthermore, OIOS found that the three crushers, which the Department of Management considered to be essential for construction works, had been delivered to UNAMID only in September 2008 and, as at 15 December 2008, remained unpacked in Nyala;

(c) There was no assessment of the price structure of each item, which included management reserves, overheads, profits and other costs. Moreover, overhead costs relating to the contractor's office in Washington, D.C., project management office in El Fasher and logistics operations base in Darfur were also included in the contract for managing and supervising the services under the contract. *The Department of Management stated that at the final stage of negotiations, PAE's profit had been reduced and they had agreed to remove a management reserve fee on all subcontracted services.* OIOS found that while PAE had agreed to reduce its management reserve, this was in exchange for taking out the liquidated damages provision from the contract. This may further expose the United Nations to financial, operational and other risks.

32. *The Department of Management also stated that extensive negotiations were carried out by a team comprised of members from the Procurement Division, the Department of Field Support, the Office of Legal Affairs and the Office of Programme Planning, Budget and Accounts, whereby the original PAE proposal of $790 million was eventually reduced by over half a billion dollars. The Department of Management also stated that there were more than 13,000 line items within PAE's proposal and, while a comparison for all line items would have been more than challenging, the Procurement Division had used many means at its disposal to carry out benchmarking.* While OIOS acknowledges the effort of the Department of Management to negotiate a cost reduction, about $270 million of this was attributed to a calculation error made by PAE in its proposal.

33. Furthermore, PAE prices for construction equipment were generally higher and, in some cases, more than twice the price offered in United Nations systems contracts for similar equipment. During the deliberations of the Headquarters Committee on Contracts on the PAE contract, the Procurement Division indicated that it would maximize the use of United Nations systems contracts to ensure that similar but lower-priced equipment available under those contracts was purchased. However, as explained in paragraph 37, this was not always done and, due to weaknesses in contract management, the United Nations was charged excessively high prices for equipment. In the opinion of OIOS, accountability for the inadequate evaluation of PAE's proposals should be addressed.

3. Weaknesses in the management of task orders

34. PAE executed the contract through task orders from UNAMID. As at 31 March 2008, UNAMID had issued task orders totalling $127 million. Task orders for the construction of camps ($70 million), a major contract component, were issued almost five months after signing the contract and the actual construction work did not start until April 2008. As a result of the delays in issuing task orders — the first construction task order request was issued on 13 February 2008 — PAE charges included administrative fees totalling $4.3 million relating to the logistics operations base for the period from 22 December 2007 to 12 February 2008 although no construction work had started until April 2008.

35. *The Department of Field Support stated that under the contract, PAE was not required to respond to UNAMID task requests in the absence of the payment of the administrative fees for services provided by the contractor's office in Washington, D.C., project management office in El Fasher and logistics operations base in Darfur. Therefore, the inference that PAE received payments during the period*

22 December 2007 to 12 February 2008 ostensibly for doing nothing is incorrect. OIOS reiterates that administrative fees estimated at $4.3 million relate to PAE's logistics operations base only, and as no construction task order requests had been issued during that period, the United Nations did not obtain value for the cost incurred.

36. According to the contract, PAE was to provide services in El Obeid, including the construction of a transit camp for the military and other facilities and supervision of these activities by the vendor's personnel in El Obeid. For this purpose, UNAMID issued task orders for the period from 22 December 2007 to 14 July 2008. However, UNAMID did not determine until March 2008 that no services in El Obeid would be required. Based on the calculations of OIOS, which were provided to UNAMID and the Department of Management during the audit, the administrative fees for the task orders raised for El Obeid for the period between 1 April and 14 July 2008 should be reduced by $313,416. *The Department of Management stated that the administrative fees for the logistics operations base in El Obeid were removed through negotiations held with PAE in September 2008. The Department of Field Support also stated that UNAMID had sought the recovery of the overcharges through deductions from PAE's unpaid invoices.*

37. UNAMID issued task orders to PAE for the procurement of equipment at prices higher than those in existing systems contracts, resulting in additional costs of $7 million to the United Nations. Even taking into consideration the additional freight cost, the large difference between the acquisition cost of equipment charged by PAE and the cost of similar equipment in existing systems contracts is not acceptable. For example, UNAMID ordered eighteen 500-kVA generators from PAE at a cost 2.7 times higher than the systems contract price for a similar unit. This purchase constituted $3 million of the total additional costs of $7 million (see annex for a summary of estimated financial implications).

38. *The Department of Management stated that the prices in systems contracts were for goods to be delivered in Brindisi, while the PAE prices were for on-site delivery. The Department also stated that the lead time for a systems contract was protracted. Any delay faced with regard to delivery of generators ordered from the systems contract would have had a detrimental effect on the overall deployment timelines mandated by the Security Council. Furthermore, there was a need to mitigate the risk element attached to ordering items from a third party and integrating them into another contractor's operation. Hence, the solution chosen took into account both price and the most time-efficient delivery methods.*

39. *The Department of Field Support also commented that while the systems contract might have enabled procurement of equipment at cheaper prices, the resulting inefficiencies in project delivery would have potentially cost the Organization considerably more and would most certainly have jeopardized the project delivery schedule. Accordingly, such procurement did not represent best value for money.*

40. OIOS is unable to accept these assertions because the price differences between the system contracts and the PAE contract were excessive. As indicated in paragraph 37, the PAE price for a 500-kVA generator was 2.7 times higher than the price under the United Nations systems contract. Moreover, the Procurement Division had assured the Headquarters Committee on Contracts that the use of systems contracts would be maximized. This had not been done. Furthermore,

according to the systems contract, the vendor had to deliver within 60 days of issuance of a purchase order. The task order, which was issued to PAE only in January 2008, had a deadline to supply between March and mid-July 2008. The Procurement Division could have purchased generators from the systems contract within the scheduled timelines and avoided excessive cost.

41. Since there was no fully operational contract management function in UNAMID from December 2007 to April 2008, in the opinion of OIOS the Department of Field Support should have provided the oversight needed to manage the task orders. Without such oversight, the United Nations continued to be exposed to financial losses resulting from the mismanagement of task orders. The Department should correct the weaknesses in the management of task orders and address accountability for losses.

4. Overhead and administrative charges not commensurate with the adjusted contract value

42. The PAE contract has eight engineering-related services and 23 categories of other services. Due to inactivity in UNAMID, the number and value of task orders was low. Only one of the 23 other services was used. As a result, in April 2008, the not-to-exceed amount was reduced from $250 million for a six-month period to $150 million for a nine-month period. However, while the value of the contract had been reduced by 40 per cent, the proposed staffing strength of the contractor's offices, namely the Africa project management office in Washington, D.C., the project management office in El Fasher and the logistics operations base in Darfur, involving a total cost of $35 million, remained unchanged.

43. *The Department of Field Support indicated that the staffing cost was a fixed cost and even though no work had been done, these costs were allowable.* Considering such a significant reduction in the volume of work and dollar value of the contract, OIOS does not accept the argument that overhead costs related to the contractor's administrative staff and support cannot be adjusted to an appropriate level. OIOS notes that the Procurement Division negotiated with PAE for a reduction of the overhead charges.

5. Charges for catering and management services not performed

44. In January 2008, UNAMID issued two task orders to PAE for catering services at El Fasher and Nyala effective 1 April 2008. The monthly fixed fee included the cost of management services and the maintenance of catering equipment. Although no catering services had been delivered to UNAMID from January to March 2008, the task order included charges of $248,166 for the maintenance of catering equipment for the period.

45. *The Department of Field Support stated that an adjustment had been made to the charges for management services and maintenance of catering equipment reducing the net amount payable for these services by $100,758.*

46. The contract included a cost for each service performed by PAE plus an additional charge for management services. The management service charge related to the cost of PAE personnel required to manage cleaning, laundry, pest control, ground maintenance and refuse disposal services. OIOS found that PAE had not

provided any of these services. However, task orders included charges of $475,926 for management services for six months from February 2008.

47. In the opinion of OIOS, the mission should not pay these charges as none of the related services had been delivered.

6. Delays in establishing the contract management function

48. The high value and complexity of the multifunction logistics contract required a properly established contract management function. In December 2006, the Department of Peacekeeping Operations, when it requested the Controller to approve a sole-source contract with PAE, raised the need for outsourcing the contract management function to supervise all aspects of the PAE contract. The Department explained that the United Nations would not be able to recruit and form a technically qualified contract supervision and quality management team within the required time frames.

49. OIOS is concerned that, as at April 2008, there was still no fully functioning in-house or outsourced capacity to manage the PAE contract. The approved UNAMID budget for the financial year 2007/2008 provided for 31 posts for the Contract Management Section; however, UNAMID had filled only three of the positions by the end of April 2008. Also, although the Department of Peacekeeping Operations had already identified the need for an outsourced contract management function as early as December 2006 and related procurement action had started in May 2007, as at September 2008 the letter of assist was still not finalized. The delay in setting up a fully operational contract management function is not justifiable.

50. *The Department of Field Support stated that the UNAMID budget was not approved until 22 December 2007 and the recruitment effort was hampered in a number of ways: short-listed staff declining to be interviewed; selected staff declining appointment; and extreme delays in travelling of appointed staff to the mission. The Department further commented that as at 31 October 2008, UNAMID's in-house contract management capacity was made up of 16 staff members.* OIOS reiterates that high-value, multifunction contracts should not be entered into without ensuring that a proper contract management function is in place.

7. Issuance of letter of assist exceeding the authorized amount and contract renewal period

51. In April 2008, the Department of Field Support issued a draft letter of assist to the Government of Spain for the provision of contract management services, in particular to assist UNAMID in managing the multifunction logistics support, food rations and fuel contracts. The services were to be provided by Ingeniería de Sistemas para la Defensa de España (ISDEFE), a company owned by the Government of Spain.

52. The letter of assist was arranged as an extraordinary measure, after the failure of two commercial bidding exercises conducted by the Procurement Division in 2007. In May 2007, the Division solicited proposals for contract management and construction services for four peacekeeping missions, including UNAMID. It received one proposal, which was found to be technically non-compliant. The Division then issued another request for proposals in August 2007 covering UNAMID only and received two proposals. Only one proposal was found to be

technically compliant, but the vendor had a joint venture with PAE, which would have created a conflict of interest.

53. In October 2007, the Department of Field Support approached the Government of Spain for the services and negotiations ensued. In February 2008, the Department of Management and the Department of Field Support submitted the letter of assist case to the Headquarters Committee on Contracts, recommending the contract award to the Government of Spain for one year with an option to extend for another year in a total not-to-exceed amount of €27.4 million (equivalent to $40.5 million). The Committee expressed concern at the inappropriateness of outsourcing a core function of the United Nations and an unclear statement of work. Therefore, the Committee unanimously recommended that the letter of assist should not be entered into and that the Procurement Division and the Department of Field Support should seek a commercial solution. However, the Controller, while noting the concerns of the Committee, did not accept its recommendation. Considering the financial risks associated with the lack of proper contract management in UNAMID, and because the contracts for multifunction logistics support, food rations and fuel had a combined value of approximately $1 billion, the Controller authorized the Department of Field Support to continue its consultations with the Government of Spain, with a view to securing the letter of assist for the required services under the terms recommended in the presentation to the Headquarters Committee on Contracts.

54. The Department of Field Support issued the draft letter of assist for one year with an option to extend for a period of up to three years with a total not-to-exceed amount of $85 million. This exceeded the authorized not-to-exceed amount of $40.5 million for one year and the one-year optional renewal period, as initially presented to the Headquarters Committee on Contracts. Subsequent to the audit, *the Department of Field Support stated that a letter of assist for one year with a one-year option had now been pursued.* OIOS acknowledges that the Department of Field Support had made corrections to the draft letter of assist capping the not-to-exceed amount at $40.5 million.

8. Excessive cost of contract management services

55. A review of the terms and conditions of the letter of assist showed that the cost of deploying ISDEFE's personnel during the first year would total €10 million (equivalent to $14.8 million). ISDEFE will deploy 24 consultants in Darfur, 3 staff in its project management office in Madrid and 2 staff in its country management office in Darfur. However, the average monthly fee of $57,000 for each of the 24 consultants under the letter of assist was based on an hourly rate for a 12-hour working day and a 26-day month for each consultant. Calculations made by OIOS show that the United Nations could save more than €4 million (equivalent to $6.2 million) per year if the rate is negotiated on the basis of UNAMID's working hours, i.e., an eight-hour working day and a 22-day month.

56. *The Department of Field Support stated that it strongly believed that reducing the quantum of the consultants' work to the levels suggested by OIOS was not in accordance with normally accepted commercial practice. The Department further stated that in a start-up mission, it was not unusual for United Nations employees to typically undertake 12-hour days and be required to work on the weekends.* OIOS maintains the view that while there may be some periods when extra hours are

required, it is not practical or cost-effective to assume that such high working hours will be sustained throughout a two-year period.

57. As at September 2008, the outsourcing arrangement had still not been finalized. *The Department of Management informed OIOS that the letter of assist with the Government of Spain was signed in December 2008.*

9. Extension of existing systems contracts

58. The Procurement Division extended one systems contract using the related exceptional measure by the deadline of 31 March 2008. OIOS has no further observations on the use of this measure.

10. Lack of in-house expertise to arrange multifunction service contracts

59. The Procurement Division does not have adequate expertise in arranging large multifunction logistics service contracts. In arranging the contract with PAE, the Division used three procurement officers from the Maintenance and Supply Agency of the North Atlantic Treaty Organization under a memorandum of understanding for a six-month period. OIOS considers this service to be a core function of the United Nations and there is a need to develop the Division's own capacity rather than relying on outside providers for arranging multifunction logistics service contracts.

11. Procurement measures not used

60. As shown in the table above, measures 9, 11, 12, 15 and 16 had not been used. Officials of the Department of Field Support and UNAMID indicated that they considered the extraordinary measures as additional and not mandatory tools, and that they would generally use normal procedures. Therefore, some of the extraordinary measures would only be used if needed. As stated in paragraph 10 above, OIOS is concerned that these exceptions were actually not needed in most cases. This condition gives managers discretion to decide whether and to what extent normal controls should be applied and thus undermines the existing internal control system.

B. Human resources management

61. Although all six extraordinary measures pertaining to human resources management were used, they did not significantly expedite the recruitment of staff for deployment to UNAMID. This situation suggests the need for the United Nations to reassess its strategy in attracting both external and internal candidates to take up peacekeeping posts in the field, such as by conducting a survey of the real needs and concerns of staff and the conditions necessary for staff to accept job offers, particularly at extreme hardship duty stations. *The Department of Field Support informed OIOS that, in conjunction with the Department of Management, it had already taken a number of initiatives to better manage the recruitment and staffing process including: the introduction of human resources action plans to field missions; strengthening the ties between succession planning, performance management and career mobility; and outreach initiatives to attract qualified candidates for peace operations.*

1. Limited effect of extraordinary measures on the timeliness of staff deployment

62. The extraordinary measure concerning the immediate reassignment of civilian personnel to key administrative positions without advertising the post aimed to expedite the recruitment and deployment of staff to UNAMID. However, the Department of Field Support and UNAMID did not deploy key personnel in a timely manner. As at 31 March 2008, 13 (39 per cent) of the 33 key administrative positions (at the P-5 level and higher) and 23 (59 per cent) of the 39 key substantive positions had not been filled. Also, it took months after the start of the hybrid operation in Darfur for some of the key managers to arrive at the mission.

63. Even though the sole-source contract with PAE had been in force for six months, the Chief Engineer came on board only in late February 2008 and the Chief of the Project Management Office arrived in the middle of April 2008. These positions were critical for the execution of the PAE contract. UNAMID explained that it experienced difficulties in attracting and recruiting experienced staff because of the harsh living and security conditions in Darfur. As at 12 May 2008, 41 selected international staff had declined offers of appointment with UNAMID.

64. *According to the Department of Field Support, as at 12 November 2008, 50 (69 per cent) critical posts at the P-5 level or higher were encumbered, 26 in the support component and 24 in the substantive offices.*

65. The extraordinary measure for the temporary duty assignment of civilian personnel was to enable the releasing mission to recruit and train new staff to replace the staff who would be on temporary duty in UNAMID. However, although the extraordinary measure allowed staff to be on temporary duty for up to one year, the Field Personnel Division of the Department of Field Support did not communicate this provision to all releasing missions. An OIOS survey indicated that out of 12 missions surveyed, 8 were not aware that staff on temporary duty to UNAMID could be deployed beyond 90 days and that they could recruit temporary replacements for the staff on deployment. Consequently, just two releasing missions hired temporary replacements. Even in cases where the releasing missions were aware that they could hire temporary replacements for staff members sent to UNAMID on temporary duty, they did not hire replacements since the request to send staff to UNAMID was for a very short period (mostly 90 days) with no indication that the temporary service would be extended. Moreover, in April 2008, the Department of Field Support communicated to UNAMID that this measure had expired on 31 March 2008, although, in the opinion of OIOS there was no basis for such an interpretation. *The Department of Field Support stated that it further consulted with UNAMID and concluded that it was in the mission's best interest to continue the extraordinary measure of placing staff members beyond 90 days. As a control measure, the Department had required UNAMID to specify the duration of the temporary duty not to exceed 12 months.*

2. Limited experience of staff on temporary duty

66. The purpose of recruiting civilian personnel on temporary duty is to provide experienced and qualified staff to the receiving mission to meet its urgent requirements during a start-up or expansion phase. OIOS found that 71 per cent of personnel recruited on temporary duty in UNAMID were national staff performing at levels higher than their positions in the releasing missions. The Department of Field Support did not set criteria on experience and expertise required for staff

selected for temporary duty. *Subsequent to the audit, the Department of Field Support stated that it had provided guidance in this regard in correspondence dated 28 August 2008 addressed to all missions.*

67. Moreover, the average time taken for deploying staff on temporary duty was 39 days for international and 58 days for national staff. Although the Department of Field Support did not set a specific benchmark on the deployment of such staff, in the opinion of OIOS the temporary duty was meant to be immediate and therefore the time it took to deploy staff was excessive.

68. Because of the lengthy process in deploying temporary duty staff to UNAMID and their limited experience in performing at the required levels, the mission did not fully benefit from this extraordinary measure.

3. Delayed reference checks of personnel absorbed from the African Union Mission in the Sudan

69. UNAMID used the expedited transition or recruitment of AMIS civilian personnel to mission posts as an extraordinary measure to facilitate staff deployment. As at 31 March 2008, out of 109 candidates from AMIS that were initially pre-qualified by UNAMID, 53 had been recruited. Of these, UNAMID indicated that it had conducted only limited reference checks for 17 staff. The lack of reference checks exposed UNAMID to a risk of hiring staff that did not have the required experience. *The Department of Field Support commented that although reference checks were initiated, UNAMID experienced difficulties in getting timely responses from employers and educational establishments. The mission has forwarded the list of former AMIS staff for whom no reference check has been conducted to the Reference Check Unit of the United Nations Logistics Base in Brindisi with a view to prioritizing them.*

4. Accommodation-provided mission subsistence allowance and new mission subsistence allowance rate for Darfur

70. One of the extraordinary measures concerning human resources management allowed for the use of accommodation-provided mission subsistence allowance. Accordingly, the Department of Management amended the policy on mission subsistence allowance allowing for a deduction of 25 per cent, against the norm of 50 per cent, for substandard and shared accommodation. The formalization of the revised policies took an excessive amount of time. On 21 February 2008, UNAMID requested the Department of Field Support to approve the required criteria, which was more than a month after the related policy was issued in January 2008. While the delay in approving this policy precluded, to some extent, its timely application and notification to staff, the overall effect of this extraordinary measure was positive in attracting personnel for UNAMID.

71. Another extraordinary measure involved the establishment of a new mission subsistence allowance rate for Darfur. Accordingly, the Office of Human Resources Management established a new mission subsistence allowance rate for Darfur effective 1 March 2008 by increasing the rate from $116 to $143 per day. OIOS found that this measure was used effectively.

5. Additional travel days for occasional recuperation break

72. UNAMID provided the staff with two additional days for their travel on occasional recuperation break. However, UNAMID did not issue administrative instructions to amend the existing policy. There is a need to develop an amended policy on occasional recuperation break to avoid arbitrary application of the provision concerning travel time. *The Department of Field Support stated that UNAMID had now issued an information circular pertaining to the two additional days for travel on occasional recuperation break.*

6. Inadequate staffing of the tiger team

73. The Department of Field Support introduced the use of ad hoc "tiger teams" to augment the capacity of missions to recruit international staff. Presently, there are tiger teams in three other missions. The use of the UNAMID tiger team was not an extraordinary measure, but OIOS is discussing this issue in the present report because of the impact of staff recruitment on the deployment of UNAMID.

74. After the approval on 22 December 2007 of the UNAMID budget for the financial year 1 July 2007 to 30 June 2008, there was more pressure to urgently recruit staff. The UNAMID tiger team had been operational since early 2007. However, the number of tiger team staff responsible for recruiting international staff was reduced from 14 to 11 in January 2008 and from 11 to 8 in April 2008 because departing staff were not replaced. Considering the high vacancy rate in UNAMID, in the opinion of OIOS there is a continued need to augment UNAMID's recruitment efforts until the vacancy rate has decreased to an acceptable level. *The Department of Field Support commented that the tiger team's strength had been increased to 19 members.*

C. Extraordinary measures for other areas

75. The Secretary-General authorized an extraordinary measure to facilitate troop deployment and logistical support. Although the United Nations normally reimburses troop-contributing countries on a quarterly basis for deployed troops, the extraordinary measure allowed the reimbursement of troop costs to troop-contributing countries on a monthly basis for the period from October to December 2007. However, the United Nations did not reimburse the AMIS troop-contributing countries on a monthly basis for this period. The payment was made in March 2008, as UNAMID had not submitted certified troop strength reports in a timely manner. As a result, there was no benefit from this measure.

76. The extraordinary measure concerning troop deployment to UNAMID allowed troop-contributing countries to deploy troops in advance of a signed memorandum of understanding based on broad agreements reached by the United Nations and troop-contributing countries on the composition of the force and the conditions of sustainment on the ground. OIOS did not find this measure to be an extraordinary one because it had been a normal force generation practice to deploy troops even before the formal signing of a memorandum of understanding.

77. The extraordinary measure on logistics support concerning the redeployment of leased aircraft to UNAMID from other missions was effectively implemented.

V. Recommendations

Recommendation 1

78. The Secretary-General, when authorizing flexibility measures in the application of administrative rules, should ensure that sufficient governance mechanisms are in place to properly identify and mitigate financial and reputation risks to the United Nations.

79. *The Department of Management stated that caution was exercised when authorizing flexibility measures in the application of administrative rules. The Executive Office of the Secretary-General stated that it had no further comments to those submitted by the Department of Management and the Department of Field Support.* OIOS stresses that necessary compensating controls need to be established to manage the risks arising from the use of extraordinary measures. Also, before such measures are authorized, there should be proper documentation of the justification for their use.

Recommendation 2

80. The Department of Management should ensure that, when flexibility measures in the application of administrative rules are exceptionally introduced to expedite the deployment of new missions: (a) a formal risk assessment is performed to analyse the circumstances that warrant the use of extraordinary measures and to identify the specific administrative measures actually needed to address such circumstances; (b) clear guidelines are communicated to all concerned offices and monitoring mechanisms are established so that risks associated with the use of extraordinary measures are properly identified and monitored; and (c) measurable expected benefits are clearly defined and communicated to all concerned offices to assess whether targets set for the application of extraordinary measures are met.

81. *The Department of Management did not accept recommendation 2, stating that a thorough review of the proposed extraordinary measures had been performed prior to a recommendation for their approval. The risk analysis developed by OIOS is seen as a continuous exercise or process, in which the Procurement Division and other stakeholders are engaged, on a regular basis, for any significant acquisition projects driven by high costs, complexity or an abbreviated timeline. The Department of Management further stated that a formal risk assessment mechanism would only be possible once the enterprise risk-management system was fully implemented.* The Department of Management did not provide any comments on proposed action with regard to the development of guidelines and monitoring mechanisms on the use of extraordinary measures, or the expected benefits that should result therefrom. OIOS reiterates recommendation 2, which is critical for the effective implementation and future use of extraordinary measures.

Recommendation 3

82. The Department of Field Support, in coordination with the Department of Management, should address accountability for the failure to adequately plan for the provision of multifunction logistics services to UNAMID and the decision to enter into a sole-source contract with PAE.

83. *The Department of Field Support and the Department of Management did not accept recommendation 3. The Department of Field Support stated that it had not failed to adequately plan for the provision of multifunction logistics services to UNAMID. The Department of Management stated that planning for the provision of services fell under the responsibility of a requisitioning office. The Department of Management also stated that the decision to enter into a sole-source contract was thoroughly reviewed at all levels of the Secretariat and represented the best available option under the circumstances.* OIOS reiterates recommendation 3, since the audit demonstrated that the planning process for the provision of multifunction logistics services to UNAMID was flawed.

Recommendation 4

84. The Department of Field Support should properly plan and evaluate any decision to enter into complex multifunction service contracts by conducting a comprehensive cost-benefit analysis to ensure that the United Nations obtains the best value for money when entering into such contracts.

85. *The Department of Field Support did not accept recommendation 4, stating that in circumstances where the availability of alternative options is non-existent and lead times are short, the performance of a comprehensive cost-benefit analysis is neither practicable nor valuable.* The statement of the Department of Field Support contradicts General Assembly resolution 55/232, which requires that an analysis of the cost-effectiveness and efficiency of activities to be outsourced is performed. OIOS, therefore, reiterates recommendation 4.

Recommendation 5

86. The Department of Management should address accountability for the weaknesses in the procurement of the multifunction logistics services and the administration of the PAE contract, which have resulted in substantial actual and potential losses.

87. *The Department of Management did not accept recommendation 5, stating that the Procurement Division had: (a) through negotiations with PAE reduced significantly the overall cost of the contract; (b) conducted benchmarking to the extent possible for key elements of the contract; and (c) reviewed 13,000 line items of the PAE proposal to ensure reasonableness of prices.* While OIOS acknowledges the efforts made by the Procurement Division, the audit identified serious shortcomings in the procurement process and contract administration which require that accountability is addressed for losses incurred. OIOS reiterates recommendation 5.

Recommendation 6

88. The Department of Management should make every effort to recover the excessive charges billed by PAE and avoid losses in the future.

89. *The Department of Management accepted recommendation 6, stating that it had recovered excess charges from PAE through a reduction of $16 million from the administrative fees.*

Recommendation 7

90. The Department of Management should develop in-house expertise on arranging multifunction logistics services to ensure that the procurement of such services in the future is handled effectively.

91. *The Department of Management accepted recommendation 7, stating that it would seek additional resources from the General Assembly to increase its capacity for procurement of multifunction logistics services.*

Recommendation 8

92. The Department of Field Support should ensure that UNAMID's in-house contract management capacity is built within a reasonable time frame in order to develop the expertise of the United Nations in the management of complex, multifunction logistics contracts.

93. *The Department of Field Support accepted recommendation 8, stating that as at 31 October 2008, UNAMID's in-house contract management capacity had increased to 16 staff.*

Recommendation 9

94. The Department of Management should amend the draft letter of assist with the Government of Spain for the provision of contract management services in UNAMID to conform to the normal UNAMID working hours and achieve substantial savings.

95. *The Department of Management did not accept recommendation 9, stating that, in practice, start-up missions have longer than normal working hours. There was a need for the Government of Spain to provide 26 days of productivity per month, irrespective of sick leave, annual leave and holidays.* In the opinion of OIOS, while there may be some periods when extra hours are required, it is not practical or cost-effective to assume that the working hours throughout a two-year period will be 12 hours per day for 26 days every month. OIOS reiterates recommendation 9.

Recommendation 10

96. The Department of Field Support should define the criteria for required experience to guide the selection of qualified personnel for temporary duty assignment and timelines within which to deploy them.

97. *The Department of Field Support accepted recommendation 10, stating that it had been implemented.*

Recommendation 11

98. The Department of Field Support should ensure that reference checks are performed and completed on a priority basis for all AMIS staff absorbed by UNAMID.

99. *The Department of Field Support accepted recommendation 11, stating that UNAMID had forwarded the list of former AMIS staff for whom no reference check*

had been conducted to the Reference Check Unit of the United Nations Logistics Base in Brindisi. Their reference checks will be prioritized.

Recommendation 12

100. The Department of Field Support should ensure that the tiger team established to facilitate the recruitment of staff for UNAMID is strengthened so that efforts to fill vacancies in the mission are sustained until such time as the staffing has reached an acceptable level.

101. *The Department of Field Support accepted recommendation 12, stating that currently, the tiger team for UNAMID had 19 members. The significant increase in the team will expedite the urgent requirement to fill vacant positions and will strengthen UNAMID's recruitment efforts.*

(*Signed*) Inga-Britt **Ahlenius**
Under-Secretary-General for Internal Oversight Services

Annex

Summary of estimated financial implications of deficiencies noted

Paragraph No.[a]	*Description*	*Amount (United States dollars)*
Pacific Architects and Engineers		
37	Excessive equipment costs	7 000 000
35	Administrative fees charged to UNAMID when there was no actual construction work	4 300 000[b]
44, 46	Charges for catering ($248,166) and management ($475,926) services not performed	724 092[b]
36	Task orders for services for El Obeid that were not needed	313 416[b]
Subtotal		**12 337 508**
Ingeniería de Sistemas para la Defensa de España		
55	Inflated contract management fees	6 200 000
Subtotal		**6 200 000**
Total		**18 537 508**

[a] In main body of the report.

[b] On 2 January 2009, the Department of Management informed OIOS that these costs had all been recovered either directly or through the process of negotiations.